
SEARS HOLDINGS

STATUS UPDATE PRESENTATION TO THE COURT

April 27, 2021

Weil

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PARTNERS

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Progress on Administrative Claims Reconciliation

- Reconciled more than 3,970 total claims and other requests for payment and administrative claims
- Eliminated more than \$1.3bn of claims asserting entitlement to administrative or priority status
- Allowed 1,669 claims
- Disputing 42 claims asserting approximately \$7.7mm, excluding allowed claims with outstanding preference issues
- Reduced Estimated Allowed Opt-Out Claims by \$10.0mm reflecting updated expected eliminations of asserted claims

\$ in mm Group	Allowed Amount Through 04/26/21	Preference Set-off	Allowed Amount net of Set-off	Allowed Amount Post-discount	Paid Amount ⁽¹⁾	Remaining Amount As of 04/26/21	Remaining Amount As of 01/19/21
Opt-In	\$80.0	(6.9)	\$73.1	\$54.8	(\$21.4)	\$33.5	\$33.5
Allowed Non-Opt-Out	66.1	(12.3)	53.9	43.1	(20.4)	\$22.7	26.1
Total Opt-In and Allowed Non-Opt-Out	\$146.1	(19.2)	\$127.0	\$97.9	(\$41.8)	\$56.2	\$59.5
<i>Reconciled Claims subject to Preference Issues</i>	3.9 ⁽²⁾	TBD	3.9	3.1	-	3.1	3.3
<i>Estimated Allowed Amount for Disputed Claims (\$7.7mm of asserted amount)</i>	1.9	TBD	1.9	1.5	-	1.5	2.3
<i>Estimated Allowed Amount before Opt-Out</i>	\$151.9	TBD	\$132.8	\$102.6	(\$41.8)	\$60.8	\$65.1
<i>Estimated Allowed Opt-Out Claims (\$23.9mm of asserted amount) ⁽³⁾⁽⁴⁾</i>	15.0	TBD	15.0	15.0	-	15.0	25.0
Total Estimated Allowed Admin Claims	\$166.9	TBD	\$147.8	\$117.6	(\$41.8)	\$75.8	\$90.1

(1) Excludes estimated reserve for disputed claims in the amount of \$5.0mm

(2) Reflects 50 claims with asserted amount of \$7.3mm

(3) Asserted amount excludes \$1.6mm of duplicate claims subject to pending omnibus objections

(4) Asserted amount excludes two claims filed by Wilmington Trust for \$1.5bn disallowed by Court but subject to appeal

Progress on Post-Confirmation Distributions

- A total of \$41.8mm has been distributed post-confirmation to claimants thus far:
 - Initial post-confirmation settlement distribution of \$21.4mm made in December 2019
 - Pursuant to Second Distribution commenced in August 2020, \$20.4mm has been disbursed to creditors with allowed admin claims

Estimated Cash Available before potential proceeds from PTAB Appeals, preference claims and ESL litigation is \$34.7mm

Estimated projected uses of cash are \$115.5mm, including a full year of Pre-Effective Date expenses⁽⁴⁾

The \$80.8mm difference between estimated cash available and projected uses of cash is expected to be covered with proceeds from the PTAB Appeals, motion to enforce APA, Preference claims, and ESL litigation

Additional Funds Necessary to Go Effective

\$ in mm	As of 1/2/21	As of 4/10/21	Variance
4/10/21 BANK ACCOUNT BALANCES - AVAILABLE CASH			
Current Cash Balance	\$26.8	\$28.3	\$1.5
Less: Total Reserves	(10.0)	(10.0)	-
Total Available Cash⁽¹⁾⁽²⁾	\$16.8	\$18.3	\$1.5
ESTIMATED REMAINING ASSET RECOVERIES			
Real Estate Asset Sales	\$3.5	\$2.2	(\$1.3)
Calder Sculpture	6.0	6.0	-
Non-ESL Settlement Proceeds ⁽²⁾	6.5	2.0	(4.5)
Other Proceeds	6.4	6.2	(0.2)
Total Remaining Asset Recoveries	\$22.4	\$16.4	(\$6.0)
Estimated Cash Available to Satisfy Operating Expenses & Claims	\$39.2	\$34.7	(\$4.5)
ESTIMATED REMAINING ADMIN, PRIORITY, AND SECURED CLAIMS			
Administrative Expense Consent Program (Excludes Amount covered by Reserve Against Cash Balance)	(85.1)	(70.8)	14.3
Priority Tax	(3.0)	(3.0)	-
Priority Non-Tax	(6.0)	(6.0)	-
Secured ⁽³⁾	(15.0)	(17.5)	(2.5)
Total Remaining Claims	(109.1)	(97.3)	11.8
Estimated Other Post-Confirmation Expenses/Liabilities if Effective Date Occurs on 12/31/21	(27.5)	(18.2)	9.2
Total Projected Uses	(\$136.5)	(\$115.5)	\$21.0
Total Difference between Cash Available and Projected Uses	(\$97.3)	(\$80.8)	\$16.5

- (1) Total available cash as of March 2021 includes the \$10.0mm minimum cash balance required for Cash Reserve Account
 (2) \$4.5mm reduction in Non-ESL Settlement Proceeds due to collection of PTAB monies, which is now reflected in available cash
 (3) Claims remain subject to review and dispute
 (4) Estimated total does not reflect additional funding for the Liquidation Trust, which may be necessary when the Plan becomes effective

Sources, excluding recoveries from avoidance actions, increased by \$2.0mm compared to the January 27, 2021 estimate

Post-Confirmation Update on Sources

(\$ in mm)	Confirmation Date Estimates	Estimates As of 5/30/2020	Estimates As of 1/1/2021	Actual Through 4/10/2021	Estimated Through 12/31/2021	Estimates As of 4/10/2021
SOURCES						
Cash On Hand at Confirmation	\$45.4	\$48.5	\$48.5	\$48.5	-	\$48.5
Calder Net Proceeds	10.0	6.0	6.0	-	6.0	6.0
Real Estate Proceeds	13.1	15.0	17.6	15.5	2.2	17.7
De Minimis Assets	5.3	8.3	8.6	7.2	1.2	8.4
2017 EDA Funds	5.0	5.2	5.2	5.2	-	5.2
Utility Deposit	4.7	10.0	9.0	9.0	-	9.0
Contribution from Carve Out	-	9.0	9.0	9.0	-	9.0
Tax Refunds - Received	-	4.9	5.5	5.5	-	5.5
Blue Cross Blue Shield Escrow	-	4.6	4.6	4.1	0.5	4.6
Other	-	2.0	7.3	9.3	-	9.3
Tax Refunds - Outstanding	-	7.5	4.5	-	4.5	4.5
Transform 503(b)(9) Obligations	-	12.0	12.0	12.0	-	12.0
Settlement Proceeds ⁽¹⁾	-	-	2.0	-	2.0	2.0
2015 PTAB Settlement	-	-	4.5	4.7	-	4.7
Subtotal	83.5	133.0	144.3	129.9	16.4	146.3
Avoidance Actions - Preference Recoveries ⁽²⁾	-	6.3	14.5	16.5	-	16.5
Total Sources	\$83.5	\$139.3	\$158.8	\$146.4	\$16.4	\$162.8

Increase from January 2021 estimates excluding preference recoveries: **\$2.0**
Increase from Confirmation Date estimates excluding preference recoveries: **\$62.8**

Actual uses to date remain below confirmation date estimates

Total Uses remain within confirmation estimate range

Post-Confirmation Update on Uses

(\$ in mm)	Confirmation Date Estimates		Estimates As of 5/30/2020	Estimates As of 1/1/2021	Actual Through 4/10/2021	Estimated Through 12/31/2021	Estimates As of 4/10/2021
USES	<u>Low</u>	<u>High</u>					
503(b)(9)	\$90.0	\$155.0	\$100.0	\$82.8	\$29.2	\$40.3	\$69.5
Other Admin Claims	50.0	50.0	34.3	42.1	10.6	30.5	\$41.1
Priority Tax	15.0	18.0	15.0	3.0	-	3.0	3.0
Priority Non-Tax	3.0	3.0	6.0	6.0	-	6.0	6.0
Secured Claim	18.0	18.0	18.0	15.0	-	17.5	17.5
Disputed Claim Reserve	-	-	-	5.0	5.0	-	5.0
Other Reserves	-	-	-	5.0	5.0	-	5.0
Taxes	-	-	0.2	0.7	0.7	-	0.7
Board Fees	-	-	2.4	2.7	1.8	0.9	2.7
Professional Fee Carve Out Funding	9.0	9.0	33.2	49.5	36.6	11.6	48.3
Other Liabilities and Expenses	-	-	11.2	19.4	13.6	5.7	19.3
Liquidating Trust Funding	25.0	25.0	25.0	25.0	25.0	-	25.0
Total Uses	\$210.0	\$278.0	\$245.3	\$256.1	\$127.6	\$115.5	\$243.1

Approximately 37% of preference matters have been settled in terms of the number of settlements

Settlements have resulted in a combination of cash and admin claim waivers of \$43.2mm

Post-Confirmation Update on Avoidance Recovery

(\$ in mm)	Number of Matters as of 1/1/21	Number of Matters as of 4/10/21	Gross Preference Period Transfers as of 4/10/21
Initial Avoidance Action Matters ⁽¹⁾	3,550	3,549	\$1,862.5
Total Actions Determined to be Ineligible ⁽²⁾	(1,259)	(1,283)	(903.4)
Matters Settled	(1,170)	(1,305)	(434.3)
Open Matters (Complaints Filed)	1,121	961	\$524.8

(1) Reduction in number of matters since Jan-21 is due to consolidation of a duplicate claim

(2) Reflects transfers that appear to have complete defenses based on assumed contracts, cash in advance, or other defenses

Conclusion

- Debtor's performance and go forward projections consistent with prior estimates although case remains challenging
 - Increased time in bankruptcy has led to higher expenses, including professional fees, now part of the pre-effective date period, which would have been incurred during the post-effective date period had an earlier Effective Date occurred.
 - Emergence remains contingent on successful litigation against ESL and collection of avoidance actions
- The Debtors stand ready to work with the remaining disputed creditors to resolve their claims